

[REDACTED]

EIN: [REDACTED]
Key District: [REDACTED]

Dear Applicant:

We have considered your application for recognition of exemption from Federal Income Tax under section 501(c)(3) of the Internal Revenue Code and have determined that you do not qualify for exemption under this section. Our reasons for this conclusion and the facts upon which it is based are explained below.

The information submitted indicates that you were incorporated under the laws of the state of [REDACTED] on [REDACTED]. Your purpose is to promote a conservative agenda through educational and informational methods and activities including the researching of issues; the improvement of education and communication among and/or between the public and members and advisory members of the corporation; the organizing of members and advisory members to communicate with the public on issues promoting and involving conservative issues and objectives; and the training of members and advisory members in techniques to promote and effectuate your goals.

You plan on discussing the following with the public:

- spending cuts and tax reductions
- increased government decentralization
- advocacy of citizen rights and local home rule
- less intrusion by government into the lives of its citizens
- decreased regulation of business and industry
- more free market mechanisms in the state economy
- less reliance on bonding and debt issuance

You are a membership organization. You currently have [REDACTED] members. Your members are [REDACTED] elected to the New [REDACTED] and members of the [REDACTED]. Currently you have no members that are nonpublic officials and you have not begun an active solicitation program to attract members.

[REDACTED]

You anticipate holding seminars and public forums. The forums would be comprised of notable lecturers, academicians, educators and experts in various fields of thought which are relevant to your objectives and goals. The seminars will consist of public debates, speaking forums and similar panel discussions and programs. Some of your seminars may have opposing viewpoints.

You anticipate doing research that will be non-partisan. You have stated that the research will be made available to your members and not be designed for the exclusive use of your members' election or reelection. You plan on developing fact sheets on proposed legislation to your membership and the general public that will include bill numbers, sponsor information, legislative status, summaries of the legislation and opposing view-points.

You plan on doing media releases and writing a newsletter titled, the Conservative Perspective. You have not conducted these activities since you have not received funding.

You do not anticipate publishing any candidate questionnaires, but may do so in the future. You do not plan to conduct any voter registration drives.

You plan on spending a small portion of your time on grassroots lobbying. You will disseminate your research to the public and explain to the public how they may contact their legislators to express their opinion, either pro or con, with respect to their thoughts on the particular topics.

Section 501(c)(3) of the Code provides, in part, for the exemption from federal income tax for corporations organized and operated exclusively for charitable, scientific or educational purposes, provided no part of the corporations net earnings inures to the benefit of any private shareholder or individual.

Section 1.501(c)(3)-1(c)(3)(i) of the Income Tax Regulations states that an organization is not operated exclusively for one or more exempt purposes if it is an 'action' organization. Section 1.501(c)(3)-1(c)(3)(iii) defines an 'action' organization as an organization that participates or intervenes, directly or indirectly, in any political campaign on behalf of or in opposition to any candidate for public office. The regulations further provide that activities that constitute participation or intervention in a political campaign on behalf of or in opposition to a candidate include, but are not limited to, the publication or distribution of written statements or the making of oral statements on behalf of or in opposition to such a candidate.

Section 1.501(c)(3)-1(c)(3)(ii) of the regulations provides that an organization is considered an "action" organization if a substantial part of its activities is attempting to influence legislation by propaganda or otherwise. For this purpose, an organization will be regarded as attempting to influence legislation if the organization contacts, or urges the public to contact, members of a legislative body for the purpose of proposing, supporting, or opposing legislation, or advocates the adoption or rejection of legislation.

Section 1.501(c)(3)-1(d)(1)(ii) of the Income Tax Regulations provides that an organization is not organized exclusively for any of the purposes specified in section 501(c)(3) unless it serves public, rather than private interests. Thus, an organization applying for tax exemption under section 501(c)(3) must establish that it is not organized or operated for the benefit of private interests.

Section 1.501(c)(3)-1(d)(3) of the regulations defines the term educational as the instruction or training of the individual for the purpose of improving his capabilities; or the instruction of the public on subjects useful to the individual and beneficial to the public.

Section 1.501(c)(3)-1(d)(3)(ii), Example 2 provides that an organization is educational if its activities consist of presenting public discussion groups, forums, panels, lectures, or other similar programs.

Rev. Rul. 75-286, 1975-2 C.B. 210, describes an organization that was formed by the residents of a city block to preserve and beautify that block, to improve all public facilities within the block, and to prevent physical deterioration of the block. Its activities consisted of paying the city government to plant trees on public property within the block, organizing residents to pick up litter and refuse in the public streets and on public sidewalks within the block, and encouraging residents to take an active part in beautifying the block by placing shrubbery in public areas. Much of the public area improved by the organization was part of the public roadway lying between the sidewalk and the street in front of private property owned by members of the organization. Membership in the organization was restricted to residents of the block and those owning property or operating businesses there.

This revenue ruling concludes that the organization did not qualify for exemption under section 501(c)(3). It states that because the activities enhanced the value of the members' property rights, the organization served the private interests of

its members and did not qualify for exemption under section 501(c)(3).

Rev. Rul. 66-256, 1966-2 C.B. 210, describes an organization that was formed to bring about a fair and open minded consideration of social, political, and international questions by the promotion and sponsorship of a public forum at which debates and lectures were conducted. The organization invited prominent individuals to discuss varying political and social matters of national and community interest. The speakers, in addition to delivering their prepared text, answered questions of those attending. The other part of the organization's program involved the sponsorship of debates. Individuals representing opposing viewpoints were invited to debate particular topics. The debates were conducted in accordance with carefully drawn rules. Frequently, the persons invited to lecture or debate were controversial and occasionally there was opposition to their appearance. None of the programs or activities of the organization involved the participation or intervention in any political campaigns of candidates for public office.

The revenue ruling states that the presentation of public lectures, forums, or debates is a recognized method of educating the public. The fact that the presence of the invited speaker or his opinions may precipitate controversy within the community does not adversely affect the status of an organization whose primary purpose is to provide a forum for speakers. Consequently, the organization qualified for exemption under section 501(c)(3).

Rev. Rul. 76-456, 1976-2 C.B. 151, describes an organization that was formed for the purpose of elevating the standards of ethics and morality that prevail in the conduct of campaigns for election to public office at the national, state, and local levels. On a nonpartisan basis the organization collected, collated, and disseminated information concerning general campaign practices through the press, radio, television, mail, and public speeches. In addition, the organization furnished 'teaching aids' to political science and civics teachers to help stress the need for ethical conduct in political campaigns. The organization proposed a Code of fair campaign practices. Although need for the Code was extensively publicized, the organization did not solicit the signing or endorsement of the Code by candidates for political office.

The revenue ruling states that the organization was instructing the public on subjects useful to the individual and beneficial to the community within the meaning of section 1.501(c)(3)-1(d)(3) of the regulations by encouraging voters to concern themselves with fair as well as unfair practices

[REDACTED]

encountered in political campaigns. This was done, on a nonpartisan basis, so that citizens could increase their knowledge and understanding of our election processes and participate more effectively in their selection of government officials. Consequently, the organization was operated exclusively for educational purposes and thus qualified for exemption under section 501(c)(3) of the Code.

Rev. Rul. 78-248, 1978-1 C.B. 154, situation 3, concerned an organization preparing a questionnaire to all candidates for major public offices that contained questions evidencing a bias on certain issues and made the responses generally available to the public during an election campaign. It was considered to be participating in prohibited political campaign activity.

Rev. Rul. 78-248, 1978-1 C.B. 154, situation 4, concerned an organization primarily concerned with land conservation matters that published a compilation of incumbents' voting records on selected land conservation issues and widely distributed it to the electorate during an election campaign. It was held that by concentrating on a narrow range of issues and widely distributing the publication among the electorate during an election campaign, the organization was participating in a prohibited political activity.

In American Campaign Academy v. Commissioner, 92 T.C. 1053 (1989), an organization was formed for charitable and educational purposes. The organization's primary activity was to operate a school. The school trained individuals for careers as political campaign professionals. The school maintained a regularly scheduled curriculum, a regular faculty and a full-time enrolled student body. Prior to the formation of the organization, the National Republican Congressional Committee (NRCC) sponsored programs designed to train candidates and to train and subsequently place campaign professionals in Republican campaigns. The organization stated that it was an outgrowth of the programs operated by the NRCC. NRCC contributed the physical assets, such as furniture and computer hardware, to the organization. Two of the organization's six full-time faculty were previously involved in the NRCC's training program. One of the organization's three initial directors was the executive director of the NRCC. The organization did not train candidates or participate in, or intervene in, any political campaign on behalf of any candidate. Neither did the organization engage in any activities tending to influence legislation. Applicants were required to provide the organization with professional references. While applicants were not required to formally declare their political affiliation to attend the organization's school, such affiliation could be deduced from the campaign experiences and political references contained in the

[REDACTED]

applications. Graduates of the school were employed by various Republican organizations. No graduate was known to have affiliated with any domestic political party other than the Republican Party.

The Court concluded that the organization's activities benefited the private interests of Republican entities and candidates more than incidentally. The organization, thus, served a substantial nonexempt purpose. Although the school had a legitimate educational program, the Court held that the school conducted its educational activities with the partisan objective of benefiting the interests of the Republican Party as evidenced by:

- 1) the composition of the school's board of directors
- 2) the failure of the school to counterbalance the Republican party focus of its curriculum with comparable studies of the Democratic or other political parties,
- 3) the incorporation of the school by the General Counsel of the National Republican Congressional Committee, an unincorporated association comprised of Republican members of the House of Representatives; and,
- 4) a lack of showing by the school that its graduates served in Congressional and Senatorial campaigns of candidates from both major political parties in substantial numbers.

An organization is described in section 501(c)(3) if it is organized and operated for exempt purposes, and not serving private interests. Providing forums, discussion groups and debates are described in the regulations of section 1.501(c)(3)-1(d) as examples of educational activities.

Based on the information provided, you are operating similarly to the organization described in American Campaign Academy, because you are operating for the benefit of a selected group which consists of elected public officials, who are members of the [REDACTED] party. The information submitted indicates that your membership will include primarily elected officials and members of the [REDACTED] party. Your directors and trustees are elected officials. You have provided no information to show that you will be operating on a nonpartisan basis. See Rev. Rul. 76-456. You have provided no information to show that you will solicit members that are not elected public officials. You have not provided any newsletters or conducted any forums that show that you are nonpartisan in nature and not biased towards your elected members beliefs. See Rev. Rul. 66-256. If your newsletters and forums are biased towards your members beliefs,

[REDACTED]

then the public support from your forums and newsletters could enhance the election or reelection prospects of your members, and thereby the Republican party.

You have not provided sufficient information to show that you are not an action organization as described in section 1.501(c)(3)-1(c)(3)(i) of the Income Tax Regulations. You have conducted no activities, such as publishing newsletters or holding public forums which show that you will not be in opposition to or on behalf of any candidate running for public office. You have stated that you may publish candidate questionnaires in the future which would be considered participating in prohibited political campaign activity as described in Examples 3 and 4 of Rev. Rul. 78-248, discussed above.

You have not shown that a substantial part of your activities will not be for the purpose of conducting lobbying, and thus be described as an action organization under section 1.501(c)(3)-1(c)(3)(ii) of the regulations. You have stated in attachment B, that your agenda will be to get laws changed relating to education, housing and health insurance.

Accordingly, we have concluded that you are neither organized nor operated exclusively for exempt purposes and are not entitled to exemption under section 501(c)(3) of the Code.

Donors may not deduct contributions to you under section 170 of the Code. You are required to file federal income tax returns.

You have the right to protest this ruling if you believe it is incorrect. To protest, you should submit a statement of your views, with a full explanation of your reasoning. This statement, signed by one of your officers, must be submitted within 30 days from the date of this letter. You also have the right to a conference in this office after your statement is submitted. You must request the conference, if you want one, when you file your protest statement. If you are to be represented by someone who is not one of your officers, that person will need to file a proper power of attorney and otherwise qualify under our Conference and Practices Requirements.

If you do not protest this proposed ruling in a timely manner, it will be considered by the Internal Revenue Service as a failure to exhaust available administrative remedies. Section 7428(b)(2) of the Code provides, in part, that a declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the Claims Court, or the District Court of the United States for the District of Columbia

[REDACTED]

determines that the organization involved has exhausted administrative remedies available to it within the Internal Revenue Service.

If we do not hear from you within 30 days, this ruling will become final and copies will be forwarded to your key District Director. Thereafter, any questions about your federal income tax status should be addressed to that office. The appropriate State officials will be notified of this action in accordance with section 6104(c) of the Code.

Sincerely yours,

[REDACTED]

[REDACTED]

[REDACTED]